

Fees charged by automobile dealers for the Electronic Vehicle Registration program are taxable in the same manner as other "documentation fees" or similar fees charged by automobile retailers. See Velde Ford Sales v. Dept. of Revenue, 136 Ill. App. 3d 589 (4th Dist 1985). (This is a GIL.)

September 7, 2004

Dear Xxxxx:

This letter is in response to your letter dated July 13, 2004 in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

On behalf of the members, we hereby respectfully request clarification of a tax treatment matter that will in the very near future affect dealers in general.

First some background: A company called ABC has entered into an agreement with the Illinois Secretary of State to create an Electronic Vehicle Registration (EVR) program for the State of Illinois. The program will allow Illinois automobile and truck dealerships and remitters, financial institutions and currency exchanges (collectively, Dealers) to electronically title and/or register a vehicle and put a metal plate and year validation sticker on the vehicle at the point of delivery. The customer purchasing the vehicle voluntarily chooses to have the Dealer electronically file the information and/or purchasing the plates/sticker through the Dealer. The program is beginning a pilot program in September and is expected to be fully operational within six to ten months.

Under rules to be proposed by the Secretary of State, dealers have the option of charging buyers for the optional service of electronically processing their vehicle registration data and/or for providing license plates or stickers. Under these rules the

maximum fee and service charge to be imposed upon an applicant for the electronic transmittal of registration data to the Secretary of State or the motor vehicle renewal license plates and/or stickers by any new or used vehicle dealer shall be \$25.00, in addition to any other fee permitted under law or rule. The actual fee allowed shall be set out in the agreement between the Secretary of State and the new or used vehicle dealer. If charged, the fee shall be titled 'Optional Electronic Registration Fee'

Now the issue: Is the 'Optional Electronic Registration Fee' considered a taxable transaction by the Department of Revenue under the Use and/or Occupation tax laws? Could you provide guidance as to the taxability if any of such fees?

Our organization sincerely appreciates your prompt attention and assistance in this matter as the State plans to initiate a pilot program beginning in September. I look forward to receipt of your response. If you have any questions, please do not hesitate to call.

DEPARTMENT'S RESPONSE:

We believe that the fees charged by automobile dealers for the Electronic Vehicle Registration program are taxable in the same manner as other "documentation fees" or similar fees charged by automobile retailers. As you are aware, documentation fees or similar fees charged by automobile retailers for the registration of motor vehicles have been recognized as being taxable under the Velde Ford case. See Velde Ford Sales v. Dept. of Revenue, 136 Ill. App. 3d 589 (4th Dist 1985).

I hope this information is helpful. If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Terry D. Charlton
Associate Counsel

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